

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ISO-00 AID-20 FEA-02 AEC-11

CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 XMB-07 DRC-01

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 6817

INFO AMEMBASSY ROME

AMCONSUL MILAN

UNCLAS BUENOS AIRES 4232

E.O. 11652: N/A

TAGS: EIND, AR

SUBJECT: MONTEDISON CHEMICAL COMBINE OF ITALY TO  
INVEST IN ARGENTINA.

1. ON MAY 20, A DELEGATION FROM MONTEDISON OF MILAN MET  
WITH PERON AND SENIOR GOA OFFICIALS, AND FORMALLY  
AGREED TO PARTICIPATE IN A MAJOR WAY IN THE DEVELOPMENT  
OF THE ARGENTINE PETROCHEMICAL SECTOR. ACCORDING TO  
PRESS ACCOUNTS, MONTEDISON MAY PROVIDE UP TO \$1 BILLION  
IN EQUITY CAPITAL AND CREDITS. HOWEVER, SOURCES SAY THAT  
THE ITALIAN FIRM'S PRESENT INTEREST IS LIMITED TO THE  
BAHIA BLANCA COMPLEX.

2. THE NUCLEUS OF THE COMPLEX IS AN ETHYLENE/PROPYLENE PLANT  
BEING BUILT FOR PETROQUIMICA BAHIA BLANCA (PBB), WITH  
EXIMBANK FINANCING. PBB IS 51 PERCENT STATE OWNED AND 49  
PERCENT PRIVATELY OWNED (ARG.US. AND JAPANESE CAPITAL).  
AS PLANNED BY THE PREVIOUS GOVERNMENT, THE DOWNSTREAM  
OR SATELLITE PLANTS WOULD HAVE BEEN PRIVATELY OWNED  
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AND OPERATED. HOWEVER, THE GOA AND MONTEDISON HAVE

APPARENTLY AGREED IN PRINCIPLE TO RECONSTITUTE AND  
RECAPITALIZE PBB IN ORDER TO INCLUDE THE ETHYLENE/  
PROPYLENE PLANT AND ALL OF THE DOWNSTREAM PLANTS,  
NONE OF WHICH HAS BEEN STARTED, IN ONE ENTITY.

3. INDUSTRY SOURCES REPORT THAT THE EXPANDED PBB WOULD  
BE CAPITALIZED AT \$100 MILLION WITH THE GOA HOLDING  
51PERCENT AND MONTEDISON UP TO 49 PERCEMT. REPORTEDLY, THE  
PRIVATE INVESTORS IN THE PRESENT PBB WILL BE ABLE  
TO MAINTAIN THEIR INVESTMENT IN THE NEW CORPORATION.  
MONTEDISON, IN ADDITION TO PROVIDING CAPITAL, WOULD  
ALSO PROVIDE CREDITS FOR EQUIPMENT NEEDED FOR THE 6  
OR 7 SATELLITE PLANTS WHICH ARE EXPECTED TO BE BUILT.  
CREDITS COULD AMOUNT TO APPROXIMATELY \$ 100 MILLION.

4. WE HAVE ALSO HEARD FROM A EUROPEAN DIPLOMATIC SOURCES THAT  
THE NEWSPAPER ACCOUNTS OF THE PROPOSED MONTEDISON  
INVESTMENT ARE EXAGGERATED. ACCORDING TO  
THIS SOURCE, MONTEDISON WOULD ACTUALLY PUT UP  
50 MILLION DOLLARS IN EQUITY CAPITAL AND WOULD MAKE  
AVAILABLE UP TO 400 MILLION DOLLARS IN SUPPLIER CREDIT.

5. WE WOULD APPRECIATE COMMENTS FROM ROME/MILAN  
CONCERNING REPORTS DESCRIBED ABOVE. WE  
WOULD PARTICULARY LIKE TO HAVE YOUR ESTIMATE  
OF THE AMOUNT OF EQUITY CAPITAL TO BE PROVIDED  
BY MONTEDISON.

6. COMMENT: IF THIS DEVELOPMENT GOES AHEAD AS  
PLANNED, IT WOULD GREATLY LIMIT THE POSSIBI-  
LITY OF U.S. EQUIPMENT SALES FOR THE PBB  
SATELLITE PLANTS. THE BRIGHT SPOT IS THAT THE  
COMPLEX MAY NOW BEGIN MOVING. SOME PRIVATE  
INVESTORS (ARGENTINE AND U.S.) HAVE BEEN INTE-  
RESTED IN VARIOUS OF THE SATELLITE PLANTS BUT  
NONE ARE UNDER CONSTRUCTION BECAUSE OF DELAYS  
IN OBTAINING GOA APPROVAL OR THE LACK OF A  
FINAL COMMITMENT BY THE INVESTORS. MOREOVER,  
NO AWARD HAS BEEN MADE FOR THE CONSTRUCTION OF  
THE ETHANE/PROPANE SEPARATION PLANT WHICH WILL  
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PROVIDE THE RAW MATERIALS FOR THE BASIC PBB  
PLANT. IT NOW APPEARS THAT EVEN IF CONSTRUCTION  
OF THE SEPARATION PLANT AND THE SATELLITE PLANTS  
GETS UNDER WAY IMMEDIATELY, THE ETHYLENE/PROPYLENE  
PLANT WILL BE COMPLETED 18 MONTHS BEFORE IT IS  
NEEDED. MONTEDISON PARTICIPATION MIGHT PREVENT  
THAT FIGURE FROM SLIPPING TOO MUCH.  
MONTLLOR

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Case Number:** n/a  
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**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
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